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# Diversification in ethnic minority business

## The case of Asians in London's creative industries

Ethnic minority  
business

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### Abstract

**Purpose** – To provide an initial assessment of the nature and extent of the involvement of Asian-owned firms in the creative industries in London; to identify and assess any barriers they face; and draw out the implications for policy.

**Design/methodology/approach** – An empirical study, undertaken in late 2002. Data sources included official statistical data and previous reports, as well as a programme of semi-structured, in-depth interviews with 23 Asian entrepreneurs spread across eight sub-sectors.

**Findings** – Asians are making a significant contribution to London's creative sectors, although they do face a number of specific constraints. Some of these are specific to the creative industries but others are shared with other small firms. However, few of these constraints appear to be exclusively Asian.

**Research limitations/implications** – There are some limitations relating to the small scale of the study and its focus on a single geographical location.

**Practical implications** – The research shows how (cultural) diversity can contribute to creativity and the competitiveness of regional economies, as well as individual businesses. This particularly applies in the creative industries because of extensive interlinkage with firms in other sectors.

**Originality/value** – In creative activities, cultural diversity is a source of potential competitiveness, because of the positive relationships between diversity, creativity and innovation. Asian owned firms in the creative sectors contrast with the low value added nature of many traditional areas of Asian business activity in the UK.

**Keywords** Diversification, Ethnic minorities, United Kingdom

**Paper type** Research paper



### Introduction

It is widely recognised that one of the distinctive characteristics of ethnic minority businesses (EMBs) in the UK is their tendency to cluster in low-value added activities, often associated with low incomes for owners and employees and modest prospects for increased social mobility. At the same time, previous researchers have drawn attention to the emergence of new areas of EMB activity, such as in business and professional services, IT, and hospitality and entertainment, often associated with generational

change (Modood *et al.*, 1995). The involvement of Asians in London's creative industries is part of this process of diversification.

The main aim of the study on which this paper is based was to make an initial assessment of the contribution of Asians to London's creative industries. The study followed previous reports commissioned by the Greater London Authority on the creative sector (Greater London Authority, 2002a) and on Asian businesses in the London economy (Greater London Authority, 2001). In economic development terms, the study contributes to linking diversity and inclusion to economic growth and competitiveness, which are two of the GLA's strategic objectives (Greater London Authority, 2002b). A summary of the evidence with respect to the contribution of Asians to London's creative industries is presented in the section following the literature review. Another aim was to identify and assess barriers and constraints facing Asian firms in London's creative sectors. This is because, from a policy perspective, having assessed the current contribution to the London economy, policy may be able to influence the extent to which this potential is actually realised in practice. A summary of the main barriers and constraints, together with an assessment of the development potential of Asian firms in London's creative industries is presented in the fourth section of the paper.

Although the focus of the study was on policy-related issues, the findings also have conceptual significance and implications for the existing knowledge base with respect to EMBs in the UK. By focusing on what are mainly second and third generation Asian migrants operating in so-called "emerging sectors", the paper challenges some of the existing stereotypes of EMBs, whilst also raising important questions concerning the identity of these young Asian entrepreneurs. Another ongoing issue concerns the distinctiveness of the barriers, constraints and development paths of EMBs, in view of the fact that most are micro- or small-enterprises, which might be expected to share many of the characteristics and problems with their white owned counterparts. As a result, in analysing the barriers and constraints facing case study firms in the study, a key question is the extent to which these are related to the ethnicity of the business owner, compared with size and sectoral influences. A further issue highlighted concerns the use of formal and informal networks by these young Asian entrepreneurs and the circumstances in which they are used, since this is an aspect of EMB development, which some previous research has highlighted as a distinctive feature (Ram, 1994).

#### *Data sources and methodology*

The paper is based on research commissioned by the GLA and undertaken by the authors in 2002-2003 (Greater London Authority, 2003). For the purpose of the study, both "creative industries" and "Asian" were broadly defined. The definition of creative industries is that applied by the Department of Culture, Media and Sport (DCMS) covering a wide variety of activities including, advertising, architecture, arts and antique sales, crafts, design, designer fashion, film and video, interactive leisure software, music, performing arts, publishing, software and computer services, television, and radio. Since the aim was to capture as comprehensive a view as possible of the contribution made by Londoners of Asian descent, the definition of Asian that was used follows the United Nations definition, which includes people of Indian, Bangladeshi, Pakistani and Chinese origin or descent, but also Japanese, Korean,

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Sri Lankan, Taiwanese, Turko-Kurdish and Vietnamese. The data on which the paper is based were gathered from a variety of sources. They included secondary material, such as official statistical data, previous reports and sector specific data gathered from trade sources, as well as a programme of semi-structured, interviews with representatives of Asian owned businesses (23) in each of the eight sub-sectors included in the DCMS definition of creative industries. Interviews were also conducted with key informants, selected because of their specific knowledge of the creative industries, or a branch of it, and/or the role of Asians within the sector.

### Literature context

Most of the existing literature on EMBs is based, either explicitly or implicitly, on the view that businesses with ethnic minority (EM) owners are “different” from the rest of the small business population, both in terms of their behavioural characteristics and in terms of the type of problems that they face. Much of this literature emphasises the role of culturally specific “ethnic” resources to set up and develop businesses. Both South Asian (e.g. Werbner, 1990) and Chinese communities (e.g. Song, 1997) have been featured in this regard, showing how a combination of family and co-ethnic resources can be used to support business development.

Alongside this, other authors have emphasised the role of the economic and social context, as influences on the way in which ethnic minority firms operate (e.g. Ram and Jones, 1998), highlighting the material constraints faced by members of ethnic minorities, which limit their labour market opportunities. In addition, studies which stress the interrelationships between “ethnic” resources and external opportunity structures (e.g. Waldinger *et al.*, 1990; Razin and Light, 1998) have become increasingly influential, with the mixed embeddedness approach offering a comprehensive framework for interpreting the behaviour and development of EMBs in the context of the wider structures in which they are embedded (Kloosterman *et al.*, 1999). Within this framework, the role of size and sector characteristics can be assessed, as well as the ethnicity of the business owner, interacting with external environmental influences and opportunities.

In this context, there has been a growing recognition in the UK of the need to recognise the diversity of characteristics and experience between different ethnic minority groups, rather than simply dealing with EMBs as a group. This is important if their involvement in entrepreneurial activity is to be understood and appropriate policy responses developed. For example, Basu and Altinay (2002) have highlighted the cultural diversity that exists between six different ethnic minority groups in London, reflected in differences in business entry motives, patterns of finance, in the nature of business activity, women’s involvement in business, and the extent of their dependence on co-ethnic labour and co-ethnic customers. In addition, based on a large-scale study of the access to finance and business support by EMBs in the UK, sponsored by the British Bankers Association (BBA) and other partners, Smallbone *et al.* (2003) have shown there is significantly more variation between EMB groups, than between EMBs (as a group) and a matched white control group, in terms of their ability to access bank finance. Indeed, the extent of contrast between the experiences of the Chinese, at one extreme, and of ACBs, on the other, casts serious doubt on the value of treating EMBs as single group, certainly from a banking or public policy perspective (Ram *et al.*, 2002).

However, another source of diversity in the ethnic minority population in the UK, that is potentially relevant for this paper, is generational change. This is because members of ethnic minority groups that have been born and educated in the UK might be expected to have different attitudes and experiences to their parents, with potential implications for their involvement in entrepreneurship and their experiences as business owners. Although some differences between ethnic minority groups might be expected, there is an “a priori” expectation of increasing convergence with the white population by second generation migrant entrepreneurs, as the role of so-called cultural influences weakens over time, and more education and human capital contribute to greater opportunities in labour markets, as well as to a greater ability to identify and exploit entrepreneurial opportunities in higher value added activities. One specific issue that arises is the extent to which young, second or third generation migrants identify themselves as members of an ethnic minority group and/or, in this case, as Asian. At the same time, although some factors (e.g. language barriers) may be less problematic for second generation EMBs, perceived “cultural” differences can still exist. For example, a survey of EMBs in Lambeth and Southwark in South London showed that only 40 per cent of those members of ethnic minorities that were born in the UK considered themselves to be British, with the rest identifying more closely with their parents or original ethnic grouping (Focus Central London, 1999).

A number of studies have referred to the tendency for second-generation ethnic entrepreneurs to set up in businesses in different sectors to those of their parent's generation. For example, in the Asian communities, second-generation entrepreneurs are seen to be moving away from traditional clothes and food retailing sectors with their long hours and low pay, into the services and professions, which offer greater prestige and higher potential returns. It has also been noted that second generation immigrant entrepreneurs are frequently more highly educated, entering entrepreneurship from different backgrounds to their first generation counterparts and for different reasons (Phizacklea and Ram, 1995; Deakins, 1999).

The role of social networks in influencing the establishment, development and sustainability of EMBs is a common feature of UK studies (see Ram and Jones, 1998, for a review), as part of a wider interest in social capital. For example, a recent investigation of the restaurant sector found family and wider co-ethnic community links to be important sources of finance, labour and management resources for many South Asian firms (Ram *et al.*, 2000). In addition, the large scale study of EMBs, sponsored by the BBA, found EMBs to be significantly more likely to draw on finance from “informal” sources at start-up than their white counterparts and significantly more likely to use informal sources of advice (Ram *et al.*, 2002). However, this is an area where there is some evidence of second generation Asians particularly, showing a higher propensity to access formal sources of business support than their first generation counterparts (Centre for Enterprise and Economic Development Research, 2000), which has potential implications for what might be expected from young Asians in London's creative industries.

### **Asians in London's creative industries**

Before presenting evidence of the nature and extent of the contribution of Asians to London's creative industries, some of the key characteristics of the sector will be summarised.

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*London's creative industries*

The second half of the 1990s saw a marked increase in the growth of the creative sectors in London, so that they now represent the second largest source of wealth for the capital's economy after business services (Greater London Authority, 2002a). In the context of an overall growth of the sector as a whole, five sub-sectors stood out as being significantly above average:

- (1) Video.
- (2) Film and photography.
- (3) Computer games and software.
- (4) Arts and antiques.
- (5) Architecture and advertising.

The growth of the creative industries is important because it is part of the transformation of London's economy that has been taking place since the 1970s, generating income, new job and business opportunities and a wider range of products and services for London's population. The creative industries are also contributing to growth in other parts of the London economy, because of its secondary impacts and interdependencies with activities ranging from tourism to traditional sectors, such as clothing and tourism.

In London, the creative industries as a whole, represent the third largest sector in terms of employment, with 525,000 people working in it either directly, or in creative occupations in other industries. In addition, the sector has the second biggest source of job growth in London in recent years, contributing approximately one in five of all new jobs created between 1995-2000 (Greater London Authority, 2000). The creative industries sector, as whole, is a complex blend of inter-related activities, representing a cluster, or series of clusters, which applies within sub-sectors, as well as between them. For example, the arts and antiques sub-sector provides a primary revenue stream for other industries, as well as being stimulated by developments in sectors, such as tourism. Crafts is another example, since a range of services are interdependent with the crafts industry in London, including art and craft materials, mail-order services, printers, photographers, web site designers, packaging and display suppliers and event organisers. Whilst this characteristic presents certain definitional and measurement difficulties, it is a potential source of strength through the cross-fertilisation of ideas and complementary demand, in some cases, as well as the flexibility it can facilitate on the supply side. Moreover, in some sectors, such as crafts, work is becoming more cross-disciplinary, which is a process that may be encouraged by locational proximity and clustering.

Clustering can also lead to secondary economic impacts on businesses that are outside of creative industries proper, but which can benefit from business opportunities generated within the creative sector, in some cases by developing specialist knowledge and/or services. Specific examples of functional interlinkages involving London's creative industries include links between book publishing and TV series or films; book publishing and TV games; publishing and advertising and public relations. This pattern of interlinkages is reflected on the ground in a variety of different types of semi-formal and informal collaboration between firms. Another example is computer software, which interacts with design and also includes specialist branches, such as



interactive leisure software. In this case, the cluster appears to be also acting as a seedbed for new venture creation, since informants refer to the spinning out of budding entrepreneurs from large firms in the sector (e.g. Sony), which can in turn contribute to the development of a local cluster of studios. There is also a good deal of turbulence in some branches, such as computer games, where a business may be established for the purpose of creating a game and then closed down. In addition, some branches of the creative industries, particularly design, have an important potential role in contributing to the competitiveness of more traditional sectors, such as furniture and clothing. This is particularly important for Asians in the latter case, because of their disproportionate representation in London's clothing sector.

The dynamism of London's creative industries is reflected in the fact that some branches (e.g. computer software) are young, with a relatively young and well educated labour force. The short history of sectors such as computer software and multimedia is a potential advantage for young entrants in the sense that there is no traditional ladder or hierarchy, which makes them, more open and accessible to people from all backgrounds, compared with some of the more established sectors. This is an advantage for young Asians, which is particularly important in view of current demographic trends.

#### *The Asian contribution*

London is one of the most culturally diverse cities in the world, with approximately 29 per cent of its population of black and ethnic minority origin, with Asians making up approximately 9 per cent (Office for National Statistics, 2004). Within this, Indians make up the largest group (5.6 per cent), followed by other Asian and Bangladeshis, and Pakistanis. Based on estimates from the labour force survey, Asians represent about 6 per cent of total employment in London's creative industries as a whole, with little overall change between 1998-2002. At the same time, there are considerable variations between individual sub-sectors, both in the absolute level of Asian employment and in the pattern of change over time[1]. Sub-sectors which appear to have above average concentrations of Asian employment include music and performing arts, arts and antiques, designer fashion and software/computing. By contrast, in film and video, advertising and publishing, Asian employment is below that of the creative industries as a whole. To summarise, whilst overall, Asians appear under-represented in London's creative industries, they are over-represented in some of the more successful sub-sectors. Moreover, the numerical importance of Asians to employment in London's creative industries is likely to increase over time, partly because some of the branches where Asians are making an above average contribution to employment (such as computer software) are sectors that are predicted to grow in the future. Another reason is related to demographic trends, which is particularly important, given the tendency for Asian involvement in the sector to be particularly focused on young people. Some parts of the creative industries (such as software and the professions) are attractive to well-educated young Asians, who are unwilling to follow their parents into the family corner shop or similar activity.

At the same time, estimating the number of Asian businesses in London's creative industries is fraught with difficulties. Our best estimate is that there are approximately 5,000 Asian owned businesses involved in London's creative industries, accounting for about 20 per cent of the total number of Asian firms in the capital and about 1.7 per cent

of London's total business stock. However, this is almost certainly an underestimate for a number of reasons. These include first, the general absence of large scale business databases that include the ethnicity of the business owner. Second, the tendency for some Asians operating businesses in the creative industries not to want to be considered minority ethnic, or Asian, businesses, which makes it less likely that they will appear in minority ethnic business directories or tagged as ethnic in any sector based directory (such as, the Arts Council's artists database). Third, the fact that in some sectors, many firms in the creative industries are microbusinesses operating below the VAT threshold, which makes them particularly unlikely to appear in business databases. For all these reasons, estimates of the absolute number of Asian businesses in the sector may be considered to be little more than educated guesswork.

However, an important theme emerging from the study is that the role of Asian businesses in London's creative industries exceeds their numerical importance. This is reflected in the innovative nature of their activities, in many cases, and their wider contribution to creativity in the sector. This is an important point to stress, in view of the important potential link between innovation and competitiveness in the case of small firms. It is also reflected in the relatively high value added nature of the activities in many cases, which are typically knowledge or skill based and contrast with the low value added nature of many of the traditional areas of Asian business activity in London, such as clothing and retailing. In this context, it is perhaps not surprising that Asian businesses in the creative industries are typically owned and run by second or third generation migrants and employ a high proportion of graduate labour.

The higher value added characteristic is an important one for Asian entrepreneurship in London, in view of the need to encourage the diversification of minority ethnic business activity out of low value added, low entry threshold activities, into higher value added activity (Ram and Smallbone, 2001). The trend can potentially contribute to greater social inclusion as well as to more competitive Asian business development. Finally, in view of the large and growing size of London's Asian population, one role of Asians in the creative industries is to service the cultural needs of London's minority ethnic population and in many cases those living outside the capital. The large and growing nature of London's Asian population is creating a demand for specialist services in the creative industries that some businesses are focused on addressing, including different segments within the larger Asian market. A good example is publishing, where the needs of young Asians and Asian women are recognised as business opportunities by some Asian publishers. At the same time, in sectors, such as computer software, arts and antiques, music and performing arts, Asian business activity is contributing to generating revenue from mainstream, as well as from wider national and international markets, thereby contributing to an extension of London's economic base through the generation of external income.

### **Barriers and constraints: evidence from case studies**

Enterprises in the creative industries, in general, are predominantly small in size, although in a few sub-sectors, there is a polarisation between a few large firms and a majority of small and very small enterprises. Asian firms in all sub-sectors in London are invariably small, or very small, enterprises with a few noteworthy exceptions, such as Sony in interactive leisure software. As a consequence, many of the barriers to development reported by Asian business owners are also experienced by other small



firms, regardless of the ethnicity of the business owner. These include a lack of professional business and management skills, which can affect the ability of firms to satisfactorily address issues, such as marketing, and financial management. They also include financial constraints, which are commonly reflected in cash flow problems, related to initial under-capitalisation in some cases, as well as to weaknesses in financial management. In addition, firms in some branches of the creative industries can face particular financial problems, where income streams are fluctuating or lumpy, as they can be where firms are reliant on project funding, which is a common feature in sub-sectors such as performance arts. Another distinctive barrier identified was the cost and availability of suitable premises, which are needed for artists and others to work in, but also to display work.

Some of the barriers and other issues identified by respondents had an ethnic minority component. For example, in some sub-sectors, case study businesses reported facing considerable problems in “breaking out” of their ethnic market niches into mainstream markets, which is one of the distinctive problems faced by minority ethnic firms referred to in previous literature (e.g. Ram and Jones, 1998). “Breakout” can have major financial implications, particularly if it requires a move towards a more formalised approach to marketing. In sectors where the product/service offered has a strong ethnic component (e.g. performing arts), some businesses reported finding it difficult to break into mainstream markets, because of what they describe as stereotyping, referring to the difficulties of convincing production companies that their work was not only for Asian viewers but also for a mainstream audience. Barriers linked to the ethnic background of the owner also seem to occur where a sector is traditionally dominated by white-owned businesses (e.g. architecture). For example, one Asian architect felt that his business was in some ways penalised by the lack of trust showed by clients, which, in his view, was based on ethnicity. Although the business is now well established, the owner reported still experiencing ethnic discrimination by some clients.

Problems of “breakout” in the Asian creative sector can reflect problems of market acceptance, but also the cultural specificity of the product/service being offered. Examples of the latter include publishers of specialised magazines aimed at an Asian market. Although breakout represents a marketing problem that needs to be tackled at the individual firm level, initiatives at the industry level may also help in some cases by contributing to greater awareness, understanding and acceptance of cultural variations by potential customers in mainstream markets. This is an important point in a number of branches of the creative industries, where the sustainability and growth potential of an arts enterprise, for example, is likely to be associated with its ability to develop work that is accepted by mainstream audiences and customers. In this regard, some informants expressed a fear that the current interest in cultural diversity in creative work in London may not be sustained, which emphasises the importance of seeking to influence businesses and being accepted in the mainstream. The issue particularly applies in branches of the creative industries, where an Asian presence is based on Asian cultural traditions, such as in music and performing arts.

Difficulties faced in “gaining acceptance in mainstream markets” may be based on consumer tastes and a tendency for customers to typecast or stereotype performers, such as in dance and theatre. However, it can also be influenced by institutional barriers, such as in the music industry, where the reported lack of distributors for

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Asian music means that those producing CDs and tapes must arrange their own delivery. Experts suggested that contemporary Asian music has potential appeal outside the co-ethnic market because of the fusion of musical influences, which reflect the experience of young British Asians within a multicultural society. At the same time, if its market potential is to be achieved, there needs to be stronger ties between the production and distribution of Asian music and the mainstream music industry.

### **“Ethnic resources”?**

As well as considering possible ways in which ethnicity might be associated with particular problems or barriers to business development, the study also sought to identify any ways in which ethnicity might be seen as a potential resource. This included the role of ethnic ties; ethnic diversity as a potential source of creativity and innovation; and informal networking.

#### *Cultural ties as an asset*

It can be argued that in some branches of the creative industries, ethnicity could be seen as a potential asset, which is currently being under-utilised. An example is in computer games and interactive leisure software, where Asia is a core market (particularly Japan), which UK companies find particularly difficult to penetrate. This is partly because of the domination of the market by large firms and partly because of consumer tastes. There may be scope for policy intervention in this segment, where co-operation between enterprises may help to increase their negotiating strength with large distributors, and a greater emphasis on Asian links may help to increase the understanding of the needs of Asian customers by UK firms.

Another example is fashion, where there is strong interest from young Asians in developing traditional designs into a form that is suitable for contemporary garments. A successful fusion of design elements can lead to products that have an appeal in mainstream as well as in narrowly Asian markets. The principle of fusion is also relevant in the case of music, where a fusion of Asian music with western styles may help to widen its appeal. Young British Asians are in a good position to achieve this, since the fusion referred to reflects their own experience. Because of London's unique position of having strong links with the fastest growing economies in the world in southern Asia, there are potential gains for London's economy in taking steps to ensure that London's Asian community is allowed to fully utilise these links. This leads on to the wider issue of international network links as sources of competitive advantage for EMBs, some of who may be able to make some use of their cross-cultural knowledge and experience.

Some ethnic businesses are able to generate business with companies based abroad because they have been exposed to a blend of knowledge and experience, both from their own culture and western culture. A number of businesses interviewed had been able to take advantage of this multi-ethnic experience to develop links with businesses in different parts of the world. A design company, for instance, was able to offer packaging services to foreign companies that wanted to invest in London and needed help in tuning its packaging to the tastes of English customers, which the London-based company was more in tune with. In addition, whilst by no means a dominant theme, the study contains examples where Asian owned businesses, in sectors such as design and computer software, with potential export capability, have

been able to make use of ethnic ties to develop and exploit international market opportunities. From a policy perspective, this is a phenomenon that could be encouraged and supported, since it represents one of the potential assets of London's Asian community.

### *Ethnicity, creativity and innovation*

Although there is an overall recognition within the creative industries that cultural diversity encourages creativity and innovation, there are differences between sub-sectors in the relationship between culture and ethnicity and its role in the core business definition of individual businesses. In architecture, for example, the cultural background of an architect does not appear to be recognised as representing added value for a business. On the other hand, in music and performance arts, an artist is creating or performing work that is likely to reflect their personal cultural experience, albeit one that is typically a blend of Asian and western culture. Clearly, in the latter case, an individual's ethnicity and cultural experience has a major potential input into the creative process and may thus be regarded as a key element in the business offer and a potential source of competitive advantage.

### *Networking*

As mentioned earlier, co-operation between firms is a common feature in the creative industries, regardless of the ethnicity of the business owner. This co-operation is partly a result of the degree of division of labour within the industry and the associated interdependence between firms; in other words, it is almost a structural condition of the industry. Examples of co-operation revealed by the study included joint marketing and joint purchasing and, in certain sectors, the sharing of equipment and materials (e.g. theatre) and the development of alliances, in order to bid for large projects (e.g. architecture). However, much of this appears to be based on informal contacts and networking, rather than on formal linkages.

The majority of the EMBs interviewed were members of a trade and/or professional organisation, although their assessment of the benefits of membership typically focused on the opportunities for networking with other business owners, rather than on tangible services provided. At the same time, it must be recognised that membership of a trade or professional organisation is often viewed as a potential source of contacts by white business owners also. It is not specifically an ethnic minority, or Asian point. In some cases, Asian firms were networking with other Asians, which some suggested reflected their exclusion from other networks. However, this was not a general pattern, since there was variation between sectors, as well as between individual firms, in terms of the ethnic composition of their personal and business-based networks.

Few of the case study businesses that were interviewed reported positive experiences with business support agencies. Although most of the businesses interviewed identified business and management support needs that are typical of other firms of a similar size, few of them had successfully accessed business support, either from mainstream or other support agencies, which is indicative of a commonly reported low level of penetration of EMBs by mainstream by agencies in the UK (Ram and Smallbone, 2003). Those few that had tried were typically not successful, referring to a failure of Business Link to supply the required information and, in one case, stating that staff were unreliable in not turning up for meetings arranged. More

generally, there appeared to be a low level of awareness of what help business support agencies were able to offer, so that where external advice or assistance was sought, this was more likely to be informally sourced from family, friends and associates, or from professionals such as accountants.

### Conclusions and policy implications

A number of themes emerge from our analysis. The first is that in creative activities, the cultural diversity, which is a key characteristic of London, is a source of potential competitive advantage, because of the positive relationships between diversity, creativity and innovation. As typically knowledge or skill-based businesses, Asian owned firms in creative sectors contrast with the low value added nature of many traditional areas of Asian business activity in London, such as clothing and retailing. As well as serving the needs of London's growing Asian population, many Asian businesses in the creative sectors are generating sales in mainstream markets, both in the UK and elsewhere. As well as contributing to growth in individual businesses, this is also contributing to growth in the London economy as a whole, through the generation of external income.

Although Asians are making a significant contribution to London's creative sectors, there are barriers and constraints that affect their ability to fully achieve their potential contribution. Some of these are specific to the creative industries but others are shared with other small firms. However, few of these constraints appear to be exclusively Asian. Some are constraints that are related to the typically small size of Asian firms, such as those concerned with finance, a lack of business and management skills, and the availability and cost of premises in London. However, these are problems that many small firms experience, regardless of sector and/or the ethnicity of the business owner. Other constraints refer to the particular problems which some growth-oriented minority ethnic businesses face in other sectors, concerned with breaking out of ethnic market niches into mainstream markets. Other issues concern the lack of exposure to cultural diversity that many young people experience, with respect to design, music and other creative subjects, as part of their educational experience. This is potentially important because it can affect the extent to which the Asian contribution is recognised and accepted in mainstream markets. Clearly, whilst currently significant, the potential contribution of Asian firms to London's creative sectors could be greater, if some of the barriers and constraints currently experienced could be addressed, which is one of the potential roles of policy.

Conceptually, the study demonstrates the complexity of the identity issue with respect to ethnic minority business owners, particularly where these are second or third generation migrants, many of whom do not perceive themselves to be owners of EMBs. The overall impression from both the businesses and key informants interviewed is that business owners see themselves and their businesses as publishers, music, arts or software businesses, rather than as ethnic minority businesses. For example, in computer software, all case study firms had successfully broken into mainstream markets and all had a diverse mix of employees, with none reliant on co-ethnic labour. Overall, the ethnic dimension in these businesses appeared secondary to other characteristics. Moreover, "Asian" artists typically do not want to be pigeon-holed as producing Asian art. Beyond that, some of the interviewees did not identify themselves as "Asian" but rather as "British" or "British Asian", which is not

altogether surprising in view of the high proportion of second and third generation owners. The issue has potential implications for a business support strategy for these Asian firms in the creative sector, since it challenges traditional concepts of “ethnic minority business”, as a basis for policy making. The evidence suggests that a sector approach is more appropriate, with the ethnic dimension part of a required “proofing” exercise to ensure that the approach is socially inclusive and not discriminatory on the basis of ethnicity, gender or disability.

### *Policy implications*

In policy terms, the paper shows how (cultural) diversity can contribute to creativity and competitiveness. In creative activities particularly, the cultural diversity, which is a key characteristic of London’s economy, is a potential source of competitive advantage, because of the widespread recognition of the positive relationship between diversity and creativity and innovation. As typically knowledge or skill-based businesses, Asian owned firms in creative sectors contrast with the low value added nature of many traditional areas of Asian business activity in London, which demonstrates the potential role of generational change in facilitating the diversification of the EMB base in London. As well as serving the needs of London’s growing Asian population, many Asian businesses in the creative sectors are generating sales in mainstream markets, both in the UK and elsewhere, which is contributing to growth in the London economy as a whole, through the generation of external income, as well as to the growth of individual businesses. In this context, there is a potential role for policies designed to facilitate the harnessing of this diversity, for the benefit of the London economy, with greater social inclusion one of the likely consequences, but not the prime mover.

More specifically, a number of practical policy recommendations have been formulated from the study, designed to facilitate and enhance the nature and extent of the contribution of the Asian population to London’s creative industries. The recommendations are aimed at public policy makers and agencies with responsibility for business and economic development in London, although most have wider application. The recommendations are:

- *To provide practical help for Asian artists and musicians to promote their work to mainstream audiences and buyers, through the sponsoring of exhibitions, as well as through events that can help to increase the profile of Asian creativity.* Cultural diversity is a potential source of creativity, although to develop it requires resources. This applies at the individual firm level where a predominance of small firms with many new and young entrepreneurs with limited resources is a particular constraint. It also applies at the macro level, where issues such as the acceptance of cultural diversity in mainstream markets, in sectors such as design, music and performance arts, means that firms can benefit from the increased profile associated with exhibitions and special events, particularly if these events are backed by organisations that are generally recognised to be part of the mainstream. The specific type of promotional activity that is potentially the most beneficial is likely to vary between sectors, but, where possible, the ethnic diaspora should be seen as a potential asset for developing international market opportunities for Asian owned businesses.

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- *To encourage and support a greater emphasis on cultural diversity in the teaching of art, music, media and design in secondary and higher education.* The GLA is in a position to work with key partners and educational institutions in London to encourage more widespread inclusion of cultural diversity into mainstream education courses. This could contribute to the development of London's creative industries in the medium term, by helping to increase understanding and appreciation of cultural influences by future mainstream customers, but also to encourage more creativity and innovation through a fusion of different influences. It is a good example of the need for joined up public policy at a regional level.
  - *To take specific steps to encourage businesses in the creative industries to upgrade their business and management skills and to access external business advice and assistance.* Although the research reveals a clear need for many Asian businesses in the creative industries to improve their resource base of management and business knowledge and skills, the key question is how to achieve it. While mainstream business support agencies and the existing network of support agencies in London could offer relevant assistance to businesses in the creative industry sectors, they will need to work hard to demonstrate their ability to relate to the specific needs and concerns of business owners in the creative sectors, if they are to successfully penetrate this market. Possible strategies include co-operation with specialist support providers, such as trade and professional bodies and/or an extension of the Knowledge Centre model that Business Link for London has instituted for black and minority ethnic businesses[2] and also for social enterprises.

Whilst it is not recommended that any cultural industries business support initiative is targeted at Asian-owned businesses *per se*, it is important that delivery organisations are able to demonstrate how they will ensure they reach business owners from different ethnic, gender and age groups. In order to achieve this, it is important that mainstream business support providers and must establish links with key intermediaries in the cultural industries sector. Although the firms featuring in the study showed a marked reluctance to utilise the services of mainstream business support organisations, such as Business Link, they are nonetheless experienced in activating and accessing relevant networks (for example, linking up with other firms, approaching professional bodies). As a result, there is scope for Business Link to work with the kind of professional bodies and specialist associations that are used by Asian firms engaged in the cultural industries sector. An engagement strategy might also benefit from Business Link seeking to work more informally with businesses in the creative industries, perhaps by recruiting business owners who have gained the trust and respect of their contemporaries, to act as brokers to facilitate network and training events.

- *To encourage more entrants, and potential entrants, to the industry to take up business training courses that are appropriate to their needs and to increase their awareness of the business support available.* Business training courses for new entrepreneurs are particularly important in the creative sectors, in view of the fact that in some branches, such as design, it is common for recent graduates to be a source of new businesses. There is a case for targeting higher education



institutions in London that are major providers of educational provision in these fields for enterprise-related training schemes. This might also include the development and promotion of initiatives that seek to provide opportunities for undergraduates on design and other creative industry-related courses to access business training programmes that include business placements. It might also include schemes designed to raise business awareness and the development of business knowledge and skills among final year undergraduates on creative industry-related programmes.

- *There may be a case for encouraging co-operation between enterprises in fields where small firms are attempting to compete with larger organisations.* Co-operation can help to increase the capacity of small firms, in sectors such as advertising and design, to bid for large contracts, but also to offer a wider portfolio of products and services that a larger organisation may be able to supply in-house. In other sectors, co-operation could take the form of “meet-the-buyer” type initiatives, with additional help being offered to small firms in their negotiations with, for example, large distributors. At the same time, the practical difficulties of stimulating co-operation and networking activity through intervention should not be under-estimated. Experience from elsewhere suggests that key success factors include a focus on specific objectives that offer potential “bottom-line” benefits to participating businesses, effective facilitation and a willingness on the part of formal agencies to engage and work with existing informal groupings, and identifying individuals and companies within the sector that are able to gain the trust and respect of their contemporaries.
- *To investigate the potential for new “incubator” initiatives that could help to address the problem of cost and availability of premises for small enterprises in the creative sectors, which emerged as a constraining influence in a number of sectors, particularly for start-ups.* The business incubator model is potentially attractive because it can combine the provision of appropriate premises with other support initiatives, such as microfinance and the provision of business advice or mentoring. The premises issue is particularly acute in London because of high rental costs, which are exacerbated by the fact that firms in some sub-sectors need to have access to display space in more accessible locations.
- *To take steps to increase the availability of finance to new and small firms.* Although financial constraints are a common barrier facing new and small firms in many sectors, and regardless of the ethnicity of the business owner (Ram *et al.*, 2002), if the potential creativity and innovation of businesses in the creative industries is to be achieved, steps are needed to increase the access to finance of entrepreneurs and potential entrepreneurs. Specific financial issues faced by firms in some sub-sectors include a reliance on project funding and a further common problem is a lack of collateral by new firms, particularly when new entrepreneurs are young with little or no track record. Although detailed recommendations on this issue were beyond the scope of this particular study, the problem almost certainly needs to be tackled on both the demand and supply sides. Improving the financial management skills of firms and their ability to present financial information to potential funders would undoubtedly help, as would more widespread dissemination of the range of types and sources of

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finance currently available. There may also be scope for new micro-finance initiatives, because of distinctive financial problems faced by small firms in this sector, although this requires further investigation.

## Notes

1. The LFS data can only be used to suggest broad shifts over time since the size of the sampling error affects the accuracy of the estimates from this source, which increases in significance when the data are disaggregated into sub-sectors.
2. The Knowledge Centre for Black and Minority Ethnic Enterprises was established by Business Link for London in 2002 to act as a centre of expertise for the business support network in London on ethnic minority businesses (see Ram and Smallbone, 2001).

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#### **Further reading**

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